

NEW APPLICATION



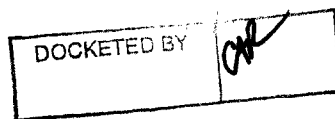
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ARIZONA CORPORATION COMMISSION
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A Professional Corporation
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Attorneys for Santa Cruz Water Company and Palo Verde Utilities Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF PALO VERDE UTILITIES COMPANY
FOR AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. SW-03575A-03-

SW-03575A-03-0586

W-03576A-03-0586

IN THE MATTER OF THE APPLICATION
OF SANTA CRUZ WATER COMPANY,
FOR AN EXTENSION OF ITS EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. W-03576A-03-

APPLICATION

Santa Cruz Water Company, L.L.C. and Palo Verde Utilities Company, L.L.C. (collectively "Applicants"), Arizona public service corporations, hereby apply for an Order approving an extension of Applicants' existing Certificates of Convenience and Necessity ("CC&N") to include properties in the vicinity of its CC&N owned by Desert Cedars Equities, LLC, HAM Maricopa, LLC, Land Solutions Maricopa, LLC, Elliott Homes, Inc., Performance Construction Inc./NU-CO-BB1-LLC, and Newport Holding Inc. In support of this Application, Applicants state the following:

1. Applicants are Arizona public service corporations engaged in providing water and wastewater utility service, respectively, for public purposes within portions of Pinal County, Arizona. Applicants were first granted their CC&Ns in Decision No. 61943 (September 17, 1999) and currently serve approximately 1,400 water and wastewater utility customers. The area

1 served by Applicants contains both residential and commercial properties. Applicants have
2 sought an extension of their respective CC&Ns, which request is currently pending Commission
3 approval in Docket Nos. SW-03575A-98-0327 and W-03576A-98-0328.

4 2. The area covered by this Application includes approximately 1,254 acres, with
5 several projects for master planned communities. These projects and the approximate number of
6 lots are as follows:

7 Desert Cedars Equities, LLC (737 lots)

8 HAM Maricopa, LLC (1,005 lots)

9 Land Solutions Maricopa, LLC (525 lots)

10 Elliott Homes, Inc. (843 lots)

11 Performance Construction Inc./NU-CO-BB1-LLC (560 lots)

12 Newport Holdings Inc. (700 lots)

13 Several of these properties are currently located within the boundaries of the 387 Water
14 Domestic Improvement District and the 387 Wastewater Improvement District. However, neither
15 of these districts is currently providing water or wastewater service within its boundaries and the
16 property owner/developers have requested that Applicants provide water and wastewater utility
17 service to their property and developments.

18 3. All developers with projects in the requested extension area have requested that
19 Applicants extend water and wastewater utility service to their properties and, as necessary,
20 appropriate extension agreements have been executed or are being negotiated.

21 4. Legal descriptions for all of the areas covered by this Application are attached as
22 Exhibit 1.

23 5. Applicants' management contact is Cindy Liles whose business address is 426 N.
24 44th Street, Suite 200, Phoenix, Arizona 85008. The telephone number is (602) 914-2100.

25 6. Applicants' operator, certified by the Arizona Department of Environmental
26 Quality, is Severn Trent Service, whose business address is 3333 S. Old Price Road, Chandler,

1 Arizona 85248. The telephone number is (480) 899-0191.

2 7. Applicants' attorneys are Fennemore Craig, whose address is 3003 North Central
3 Avenue, Suite 2600, Phoenix, Arizona 85012-2913. The individual attorney responsible for this
4 application is Jay L. Shapiro. Mr. Shapiro's telephone number is (602) 916-5366. **All Data**
5 **Requests or other Requests for Information should be directed to Ms. Cindy Liles,**
6 **including by electronic mail to Ms. Liles at cliles@phxcapital.net with a copy to Mr.**
7 **Shapiro's attention, including via electronic mail at jshapiro@fclaw.com, on behalf of Palo**
8 **Verde Utilities Company and Santa Cruz Water Company.**

9 8. A Certificate of Good Standing for both Palo Verde Utilities Company and Santa
10 Cruz Water Company is attached hereto as Exhibit 2.

11 9. The newly acquired customers in the areas covered by the application will receive
12 water and wastewater service subject to Applicants' current rates and charges for utility service,
13 which were approved in Decision No. 61943.

14 10. Detailed maps indicating Applicants' present CC&N and the areas requested by
15 this Application are attached hereto as Exhibit 3.

16 11. Applicants' balance sheet and profit and loss information for the 12-month period
17 ending 2002 is attached hereto as Exhibit 4.

18 12. The estimated numbers or customers to be served in each of the first five years of
19 water and wastewater utility service to the areas covered by this Application are as follows:

20 1 st Year:	225
21 2 nd Year:	525
22 3 rd Year:	675
23 4 th Year:	775
24 5 th Year:	800

25 13. Applicants' estimated annual operating revenue and operating expenses for each of
26 the first five years of operation in the new area covered by this Application are as follows:

Santa Cruz Water Company

Operating Revenue

1 st Year -	\$71,843
2 nd Year -	\$300,068
3 rd Year -	\$656,978
4 th Year -	\$1,086,213
5 th Year -	\$1,550,360

Operating Expenses

1 st Year -	\$51,674
2 nd Year -	\$228,519
3 rd Year -	\$518,721
4 th Year -	\$874,574
5 th Year -	\$1,263,764

Palo Verde Utilities Company

Operating Revenue

1 st Year -	\$50,175
2 nd Year -	\$206,175
3 rd Year -	\$447,525
4 th Year -	\$737,125
5 th Year -	\$1,049,600

Operating Expenses

1 st Year -	\$39,199
2 nd Year -	\$173,074
3 rd Year -	\$392,120
4 th Year -	\$660,183
5 th Year -	\$953,112

14. Applicants' total estimated cost to construct utility facilities to serve customers in the area covered by this Application is approximately \$3,170 per service connection for Palo Verde Utilities Company and \$1,520 per service connection for Santa Cruz Water Company.

15. The utility facilities needed to serve the area covered by this Application will be constructed as needed to provide service to customers. The estimated starting and completion dates for the construction of facilities at Desert Cedars Equities, LLC, HAM Maricopa, LLC, Land Solutions Maricopa, LLC, Elliott Homes, Inc., Performance Construction Inc./NU-CO-BB1-LLC and Newport Holdings, Inc. are not known at this time, although the majority of these projects will commence construction within the next twelve months.

16. The construction of the additional utility facilities needed to serve the areas covered by this Application will be financed primarily by shareholder equity and/or advances in aid of construction in accordance with Commission regulation and Applicants' applicable tariffs, as well as pursuant to the terms of any facilities extension agreements between Applicants and developers.

17. As instructed by the Commission, Applicants will submit evidence that it has obtained consent, franchise or permit of the proper county, city, municipal or other authority to

1 the extent such consent, franchise or permit is required for Applicants to extend service to the
2 area covered by this Application.

3 18. Copies of approvals issued by the Arizona Department of Environmental Quality
4 ("ADEQ") will be provided to the Commission as they are issued.

5 19. Notice of this Application will be given by publication in a newspaper of general
6 circulation as required by the Commission. Proof of publication will be filed with the
7 Commission.

8 20. Applicants maintain that this Application is in the public interest and should be
9 granted. There is a present need for service in order to foster orderly growth in western Pinal
10 County in the vicinity of Applicants' existing CC&Ns. Santa Cruz Water Company and Palo
11 Verde Utilities Company are in the best position to extend and provide service to the various
12 projects, and expansion of service will benefit their existing customers by allowing the cost of
13 providing water and wastewater service to be spread over a larger customer base, as well as
14 achieving greater economies of scale.

15 21. To the best of its knowledge and belief, Applicants are currently in compliance
16 with all regulatory requirements applicable to their provision of water and wastewater utility
17 service.

18 WHEREFORE, Applicants respectfully request the following:

19 A. That the Commission proceed to consider and act upon this Application as timely
20 as possible and to schedule a hearing, if necessary, on this matter;

21 B. That upon completion of said hearing that the Commission enter an Order
22 approving the extension of Santa Cruz Water Company and Palo Verde Utilities Company's
23 current Certificate of Convenience and Necessities to include the additional geographic areas
24 requested by this Application as shown in Exhibit 3; and

25 C. That the Commission grant such other and further relief as may be appropriate
26 under the circumstances herein.

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DATED this 18th day of August, 2003.

FENNEMORE CRAIG, P.C.

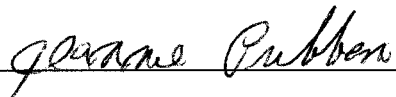
By: 
Jay L. Shapiro
Patrick Black
Attorney for Palo Verde Utilities Company and
Santa Cruz Water Company

ORIGINAL and 15 copies of the
foregoing delivered this 18
day of August, 2003, to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

And a copy hand-delivered this 18th day
of August, 2003 to:

Jim Fisher
Executive Consultant
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: 

1451630.1/83326.001

EXHIBIT 1

AREA 1 Legal Description

Parcel No. 1:

Being a portion of the Southeast quarter of section 28, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows:

COMMENCING at the Southeast corner of said Section 28;

thence South 89 degrees 49 minutes 01 seconds West, along the South line of said Southeast quarter 71.15 feet to a point on the West right-of-way line of Maricopa Road (State Route 347) and the POINT OF BEGINNING;

thence continuing South 89 degrees 49 minutes 01 seconds West, along said South line 2344.68 feet to a point that bears North 89 degrees 49 minutes 01 seconds East 223.83 feet from the South quarter corner of said Section 28;

thence North 01 degrees 58 minutes 01 seconds East 2708.11 feet to a point on the North line of said Southeast quarter which bears North 89 degrees 48 minutes 29 seconds East 321.44 feet from the center of said Section 28;

thence North 89 degrees 48 minutes 29 seconds East, along said North line 1513.59 feet;

thence South 00 degrees 45 minutes 29 seconds East 15.00 feet;

thence North 89 degrees 48 minutes 29 seconds East, parallel with the North line of said Southeast quarter 445.60 feet to a point on the Westerly right-of-way line of Maricopa Road (State Route 347), said point being a non-tangent curve the center point of which bears North 79 degrees 56 minutes 02 seconds East 1482.39 feet distant therefrom;

thence Southerly along said right-of-way the following courses and distances;

thence along the arc of said curve through a central angle of 15 degrees 03 minutes 22 seconds an arc distance of 389.54 feet;

thence South 25 degrees 08 minutes 25 seconds East 149.85 feet;

thence South 64 degrees 51 minutes 50 seconds West 25.00 feet to a point marking the beginning of a non-tangent curve the center of which bears South 64 degrees 51 minutes 50 seconds West 1357.39 feet distance therefrom;

thence along the arc of said curve through a central angle of 24 degrees 27 minutes 32 seconds an arc distance of 579.45 feet;

AREA 1 Legal Description - continued

thence South 89 degrees 19 minutes 28 seconds West 10.00 feet;

thence South 00 degrees 40 minutes 32 seconds East 1536.11 feet to me POINT OF BEGINNING.

Parcel No. 2:

Being a portion Of the Northeast quarter of Section 33, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows;

COMMENCING at the East Quarter of said Section 33;

thence South 89 degrees 50 minutes 50 seconds West, along the East-West mid-Section line 50.00 feet to a point on the West right-of-way line of Maricopa Road (State Route 347) and the POINT OF BEGINNING;

thence continuing South 89 degrees 50 minutes 50 seconds West, along said mid-Section line 2567.39 feet to the center of said Section 33;

thence North 00 degrees 09 minutes 21 seconds West, along the North-South mid-Section line of said Section 33 a distance of 2630.21 feet to the North quarter corner of said Section 33;

thence North 89 degrees 49 minutes 01 seconds East, along the East-West mid-Section line of said Section 33 a distance of 2566.51 feet to a point on the West right-of-way line of said Maricopa Road, said point being 71.15 feet from the Northeast corner of said Section 33;

thence along said right-of-way the following courses and distance;

thence South 00 degrees 40 minutes 32 seconds. East 1317.42 feet;

thence South 89 degrees 07 minutes 35 seconds East 8.07 feet to a point that is 50.00 feet West of the East line of the Northeast quarter of said Section 33;

thence South 00 degrees 06 minutes 23 seconds East parallel with the East line of the Northeast quarter of said Section 33 a distance of 1314.05 feet to the POINT OF BEGINNING.

Parcel No.3:

Being a portion of the Northeast quarter of Section 28, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows:

AREA 1 Legal Description - continued

COMMENCING at the center of said Section 28;

thence North 89 degrees 48 minutes 28 seconds East, along the East-West mid-Section line of said Section 28 a distance of 321.44 feet to the POINT OF BEGINNING;

thence North 01 degrees 58 minutes 01 seconds East 77.45 feet;

thence North 89 degrees 38 minutes 01 seconds East 397.78 feet;

thence North 00 degrees 21 minutes 59 seconds West 360.00 feet;

thence North 89 degrees 38 minutes 01 seconds East 290.00 feet;

thence North 00 degrees 21 minutes 59 seconds West 345.00 feet;

thence North 89 degrees 38 minutes 01 seconds East 310.59 feet;

thence South 00 degrees 09 minutes 24 seconds East 730.62 feet;

thence North 89 degrees 09 minutes 14 seconds East 514.33 feet;

thence South 00 degrees 45 minutes 29 seconds East 60.69 feet to a point on the East-West mid-Section line of said Section 28, said point bears South 89 degrees 48 minutes 28 seconds West 805.14 feet from the East quarter corner of said Section 28;

thence South 89 degrees 48 minutes 28 seconds West along said mid-Section line 1513.59 feet to the POINT OF BEGINNING.

AREA 2 Legal Description

Being a portions of sections 27 and 28, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, being more particularly described as follows:

COMMENCING at the Southwest corner of said Section 27;

thence North 89 degrees 20 minutes 17 seconds East, along the South line of said Section 27, a distance of 103.36 feet to a point on the Easterly right-of-way line for John Wayne Boulevard and the POINT OF BEGINNING;

thence North 00 degrees 45 minutes 09 seconds West, along said Easterly right-of-way line, a distance of 1538.37 feet to the beginning of a curve concave Southwesterly and having a radius of 1522.39 feet;

thence departing non-radial to said curve South, 79 degrees 19 minutes 07 seconds West, a distance of 15.00;

thence departing said Easterly right-of-way line, North 00 degrees 11 minutes 41 seconds West, a distance of 767.80 feet;

thence South 89 degrees 43 minutes 52 seconds West a distance of 297.78 feet to a point on a non-tangent curve on the Easterly right-of-way line for John Wayne Boulevard and having a radius point that bears North 77 degrees 02 minutes 25 seconds East, a distance of 1382.39 feet;

thence Northwesterly along said curve through a central angle of 13 degrees 09 minutes 05 seconds an arc length of 317.31 feet;

thence departing non-tangent to said curve, North 00 degrees 12 minutes 08 seconds East, a distance of 5.92 feet;

thence departing said Easterly right-of-way line, South 89 degrees 48 minutes 22 seconds East, a distance of 147.00 feet;

thence North 00 degrees 11 minutes 38 seconds East, a distance of 150.00 feet;

thence North 89 degrees 48 minutes 22 seconds West, a distance of 147.00 feet to a point on the Easterly right-of-way line for John Wayne Boulevard;

thence departing said Easterly right-of-way line, North 89 degrees 43 minutes 44 seconds East, a distance of 140.00 feet;

thence North 00 degrees 11 minutes 38 seconds East, a distance of 150.00 feet;

thence South 89 degrees 29 minutes 46 seconds East, a distance of 210.01 feet;

AREA 2 Legal Description - continued

thence South 89 degrees 45 minutes 39 seconds East, a distance of 374.83 feet to a point on the Southwesterly right-of-way line for Southern Pacific Railroad;

thence South 53 degrees 53 minutes 36 seconds East, along said Southwesterly right-of-way line, a distance of 1084.13 feet;

thence South 41 degrees 39 minutes 37 seconds East, a distance of 276.79 feet;

thence South 53 degrees 53 minutes 36 seconds East, a distance of 1418.98 feet to the point of intersection of said Southwesterly right-of-way line for Southern Pacific Railroad with the North-South mid-Section line of said Section 27;

thence departing said Southwesterly right-of-way line for Southern Pacific Railroad, South 00 degrees 11 minutes 36 seconds East, along said North-South mid-Section line, a distance of 2439.64 feet to the South quarter corner of said Section 27;

thence South 89 degrees 20 minutes 17 seconds West, along the South line of the Southwest quarter of said Section 27, a distance of 2547.36 feet to the POINT OF BEGINNING.

The above described Parcel contains 9,202,492 square feet or 212.26 acres more or less.

Note:

The above legal description does not reflect the results of an actual field survey and was prepared from an ALTA/ACSM land title survey performed by Randy S. Delbridge, R.L.S. 15214, as agent for Superior Surveying Services, Inc., Dated 7/26/02.

AREA 3 Legal Description

BEING A PORTION OF THE NORHTWEST QUARTER OF SECTION 34 IN TOWNSHIP 4 SOUTH, RANGE 3 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE NORTH $89^{\circ} 24' 54''$ EAST, ALONG THE NORTH LINE OF SAID SECTION 34 A DISTANCE OF 798.87 FEET, TO THE POINT OF THE BEGINNING, THENCE CONTINUING NORTH $89^{\circ} 24' 54''$ EAST, ALONG SAID NORTH LINE 1,852.18 FEET TO THE NORTH CORNER OF SAID SECTION 34; THENCE SOUTH $00^{\circ} 12' 02''$ WEST, ALONG THE SOUTH MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,664.95 FEET TO THE CENTER OF SAID SECTION 34; THENCE NORTH $89^{\circ} 51' 49''$ WEST, ALONG THE EAST WEST MID-SECTION LINE OF SAID SECTION 34 A DISTANCE OF 2,491.70 FEET TO A POINT ON THE EAST RIGHT-OF-WAY OF MARICOPA ROAD (STATE ROUTE 347); THENCE ALONG SAID EAST RIGHT-OF-WAY LINE THE FOLLOWING COURSES AND DISTANCES; THENCE NORTH $00^{\circ} 40' 29''$ WEST 1,468.58 FEET; THENCE NORTH $89^{\circ} 19' 28''$ EAST 10.00 FEET; THENCE MNORTH $00^{\circ} 40' 32''$ WEST 454.76 FEET; THENCE LEAVING SAID RIGHT-OF-WAY NORTH $89^{\circ} 24' 54''$ EAST 373.10 FEET TO A POINT MARKING THE BEGINNING OF TANGENT CURVE TO THE LEFT HAVING A RADIOUS OF 200.00 FEET; THENCE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF $46^{\circ} 35' 45''$ AN ARC DISTANCE OF 162.65 FEET; THENCE NORTH $40^{\circ} 10' 09''$ EAST 367.92 FEET TO A POINT MARKING THE BEGINNING OF A NON-TANGENT CURVE TO THE NORTH, THE CENTER POINT OF WHICH BEARS NORTH $52^{\circ} 38' 22''$ EAST 450.00 FEET THEREFROM; THENCE NORTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF $36^{\circ} 41' 06''$ AN ARC DISTANCE OF 288.12 FEET; THENCE NORTH $00^{\circ} 40' 32''$ EAST 100.00 FEET TO THE POINT OF BEGINNING.

THE BASIS OF BEARING IS THE MONUMENT LINE OF MARICOPA ROAD, ALSO BEING THE WEST LINE OF THE NORTHWEST CORNER OF SECTION 34, TOWNSHIP 4 SOUTH, RANGE 3 EAST, USING A BEARING OF NORTH $00^{\circ} 06' 23''$ WEST.

CONTAINS 141.8772 ACRES MORE OR LESS – 640 LOTS

AREA 4 Legal Description

Parcel No.1:

The Southwest quarter of section 34, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, and further described as follows:

BEGINNING at the Northwest corner of said Southwest quarter of Section 34;

thence South 89 degrees 51 minutes 47 seconds East along the North line of said Southwest quarter, a distance of 2636.55 feet to the Northeast corner of said Southwest quarter;

thence South 00 degrees 12 minutes 20 seconds West along the East line of said Southwest quarter, a distance of 2631.52 feet to the Southeast corner of said Southwest quarter;

thence North 89 degrees 50 minutes 59 seconds West along the South line of said Southwest quarter, a distance of 2622.83 feet to the Southwest corner of said Southwest quarter;

thence North 00 degrees 05 minutes 36 seconds West along the West line of said Southwest quarter, a distance of 2630.93 feet to the POINT OF BEGINNING;

EXCEPTING THEREFROM the following for roadway purposes:

BEGINNING at the Northwest corner of said Southwest quarter of Section 34;

thence South 89 degrees 51 minutes 47 seconds East along the North line of said Southwest quarter, a distance of 145.00 feet to a point of the Easterly right-of-way line for Maricopa Road (State Route 347);

thence South 00 degrees 05 minutes 36 seconds East along said Easterly right-of-way line, a distance of 2630.97 feet;

thence departing said Easterly right-of-way line North 89 degrees 50 minutes 59 seconds West 145.00 feet to a point on the West line of said Southwest quarter of Section 34;

thence North 00 degrees 05 minutes 36 seconds West along said West line, a distance of 2630.93 feet to the POINT OF BEGINNING.

AREA 4 Legal Description - continued

Parcel No.2:

That portion of the Southwest quarter of Section 34, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, described as follows:

COMMENCING at the Southwest corner of said Section 34;

thence South 89 degrees 51 minutes 10 seconds East along the South line of said Section 34; a distance of 145.00 feet to the Easterly right-of-way line for Maricopa Road (State Route 347) as redefined by the acquisition of the Parcel described in Docket 1777, page 757, records of Pinal County, Arizona;

thence North 00 degrees 05 minutes 43 seconds West along said Easterly right-of-way line for Maricopa Road (State Route 347) a distance of 33.00 feet to the Northerly right-of-way line for Farrell Road the POINT OF BEGINNING;

thence North 89 degrees 51 minutes 10 seconds West, a distance of 37.00 feet;

thence North 00 degrees 05 minutes 43 seconds West, a distance of 63.00 feet;

thence South 89 degrees 51 minutes 10 seconds East, a distance of 37.00 feet to a point on said Easterly right-of-way line of Maricopa Road (State Route 347);

thence South 00 degrees 05 minutes 43 seconds East along said Easterly right-of-way line, a distance of 63.00 feet to the POINT OF BEGINNING.

AREA 5 Legal Description

BEGINNING AT THE SOUTHWEST CORNER OF SECTION 35, TOWNSHIP 4 SOUTH , RANGE 3 EAST, GILA AND SALT RIVE BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, THENCE NORTH 00° 29' 40" WEST 5300 FEET, MORE OR LESS, ALONG THE WEST SECTION LINE OF SAID SECTION 35 TO THE NORTHWEST CORNER OF SAID SECTION 35, THENCE NORTH 89° 30' 20" EAST 750 FEET, MORE OF LESS, ALONG THE NORTH SECTION LINE OF SAID SECTION 35 TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF THE SOUTHERN RAILROAD, THENCE SOUTH 53° 51' 30" EAST 1213 FEET ALONG SAID RIGHT-OF-WAY LINE, THENCE LEAVING SAID RIGHT-OF-WAY LINE, SOUTH 0° 00' 00" EAST 1600 FEET, MORE OR LESS, TO THE SOUTH SECTION LINE OF SAID SECTION 35; THENCE NORTH 89° 43' 51" WEST 1684 FEET, MORE OR LESS, ALONG SAID SOUTH SECTION LINE TO THE POINT OF BEGINNING (Containing 200 acres more or less).

AREA 6 Legal Description

PARCEL NO. 1:

The East half of the West half of Section 35, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying South and West of the Southwesterly right of way line of the Southern Pacific Railroad;

EXCEPT any portion lying within the following described property:

COMMENCING at the Southeast corner of said Section 35;

Thence North 89 degrees 19 minutes 10 seconds West, a distance of 1971.27 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 89 degrees 19 minutes 10 seconds West, a distance of 765.30 feet;

Thence North 01 degree 19 minutes 10 seconds East, a distance of 1377.37 feet;

Thence South 27 degrees 53 minutes 16 seconds East, a distance of 1568.23 feet to the TRUE POINT OF BEGINNING; and

EXCEPT all oil, gas and mineral rights as reserved in instrument recorded in Docket 15, page 70.

PARCEL NO. 2:

The East half of Section 35, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona, lying South and West of the Southwesterly right of way line of the Southern Pacific Railroad;

EXCEPT any portion lying within the following described property:

COMMENCING at the Southeast corner of said Section 35;

Thence North 89 degrees 19 minutes 10 seconds West, a distance of 1971.27 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 89 degrees 19 minutes 10 seconds West, a distance of 765.30 feet;

Thence North 01 degree 19 minutes 10 seconds East, a distance of 1377.27 feet;

AREA 6 Legal Description - continued

Thence South 27 degrees 53 minutes 16 seconds East, a distance of 1568.23 feet to the TRUE POINT OF BEGINNING; and

EXCEPT any portion lying within the following described property:

COMMENCING at the Southeast corner of said Section 35;

Thence North 01 degree 12 minutes 36 seconds East, a distance of 77.50 feet to the TRUE POINT OF BEGINNING;

Thence South 89 degrees 44 minutes 11 seconds West, a distance of 660.00 feet;

Thence North 01 degree 12 minutes 38 seconds East, a distance of 1320 feet;

Thence North 89 degrees 44 minutes 11 seconds East, a distance of 660.00 feet;

Thence South 01 degree 12 minutes 36 seconds West, a distance of 1320 feet to the TRUE POINT OF BEGINNING; and

EXCEPT one-half of all oil, gas and other minerals as reserved in instrument recorded in Book 85 of Deeds, page 228.

EXCEPT from Parcel Nos. 1 and 2 herein, any portion lying within the following described property, as set forth by instrument recorded in Fee No. 2000-016849:

BEGINNING at the Southwest corner of Section 35, Township 4 South, Range 3 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona;

Thence North 00 degrees 22 minutes 40 seconds East 5264 feet, more or less, along the West section line of said Section 35 to the Northwest corner of said Section 35;

Thence North 89 degrees 05 minutes 27 seconds East, 824 feet, more or less, along the North section line of said Section 35 to the Southwesterly right of way line of the Southern Pacific Railroad;

Thence South 53 degrees 52 minutes 38 seconds East 1066 feet along said right of way line;

Thence leaving said right of way line, South 00 degrees 00 minutes 00 seconds East 4656 feet, more or less, to the extension of the South section line of Section 35 of said Township and Range;

Thence North 89 degrees 43 minutes 51 seconds West 1702 feet, more or less, along said South section line to the POINT OF BEGINNING.

EXHIBIT 2

STATE OF ARIZONA



Office of the CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****SANTA CRUZ WATER COMPANY, LLC*****

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 15th day of June 2001.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 6th Day of March, 2003, A. D.




EXECUTIVE SECRETARY

BY: 

STATE OF ARIZONA



Office of the CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

*****PALO VERDE UTILITIES COMPANY, LLC*****

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 15th day of June 2001.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 6th Day of March, 2003, A. D.



EXECUTIVE SECRETARY

BY:

[Signature]

EXHIBIT 3

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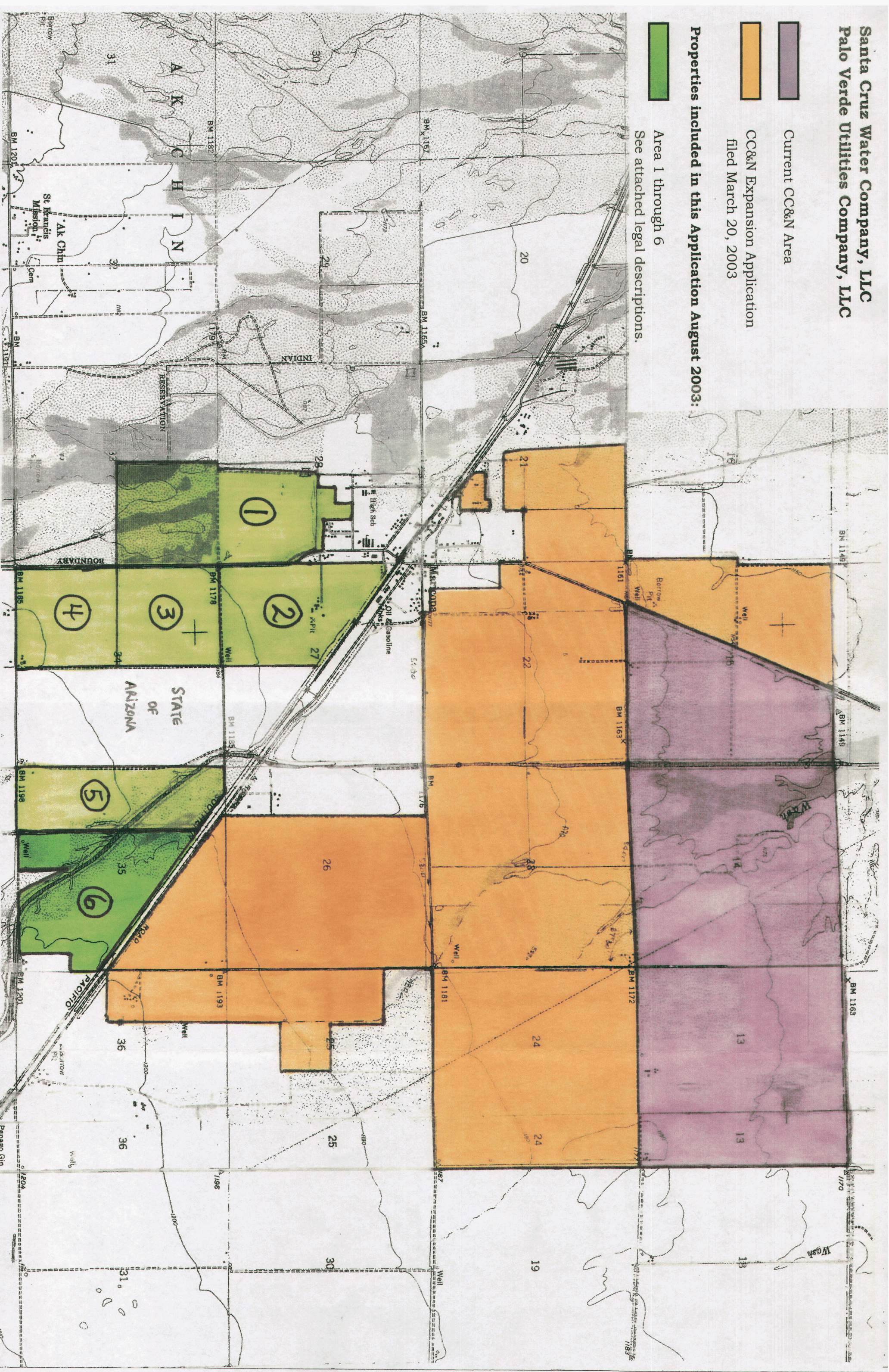


EXHIBIT 4

Palo Verde Utilities, LLC
Balance Sheet at December 31, 2002

Acct.

No.

ASSETS

CURRENT AND ACCRUED ASSETS

131 Cash & Working Funds	\$	21,268	
141 Customer Accounts Receivable			
151 Materials & Supply Inventory			
174 Miscellaneous Current & Accrued Assets		18,456	
TOTAL CURRENT AND ACCRUED ASSETS			\$ 39,724

FIXED ASSETS

101 Utility Plant	\$	3,664,724	
103 Property Held for Future Use			
105 Construction Work in Progress		2,291,714	
108 Accumulated Depreciation		147,218	
121 Non-Utility Property			
122 Accumulated Depreciation-NonUtility			
TOTAL FIXED ASSETS			5,809,220
TOTAL ASSETS			<u>\$ 5,848,943</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

231 Accounts Payable	\$	491,954	
234 Notes / Accounts Payable to Associated Companies		985,180	
235 Customer Deposits			
236 Accrued Taxes			
237 Accrued Interest			
241 Miscellaneous Current & Accrued Liabilities		19,256	
TOTAL CURRENT LIABILITIES			\$ 1,496,390

224 Long - Term Debt (Over 12 months)

DEFERRED CREDITS

252 Advances in Aid of Construction	\$	1,064,865	
255 Accumulated Deferred Investment Tax Credits			
271 Contributions in Aid of Construction			
272 Less: Amortization of Contributions			
281 Accumulated Deferred Income Taxes			
TOTAL DEFERRED CREDITS			1,064,865

TOTAL LIABILITIES

EQUITY

201 Common Stock Issues	\$	3,356,702	
211 Other Paid in Capital			
215 Retained Earnings		(69,014)	
218 Proprietary Capital (for sole props, and partnerships)			
TOTAL EQUITY			3,287,688
TOTAL LIABILITIES AND EQUITY			<u>\$ 5,848,944</u>

Unaudited Financial Statements

Santa Cruz Water Company, LLC
Balance Sheet at December 31, 2002

Acct. No.	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash & Working Funds	\$ 111,276	
124	Utility Investments		
141	Customer Accounts Receivable	-	
151	Materials & Supply Inventory		
174	Other Current & Accrued Assets	294,201	
	TOTAL CURRENT AND ACCRUED ASSETS		\$ 405,477
	FIXED ASSETS		
101	Utility Plant	\$ 3,247,397	
103	Property Held for Future Use		
105	Construction Work in Progress	721,688	
108	Accumulated Depreciation	55,369	
121	Non-Utility Property	8,166	
122	Accumulated Depreciation-NonUtility		
	TOTAL FIXED ASSETS		\$ 3,921,881
	TOTAL ASSETS		<u>\$ 4,327,358</u>
	LIABILITIES AND EQUITY		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 113,997	
232	Notes Payable	-	
235	Meter Deposits	14,750	
236	Accrued Taxes	781	
237	Accrued Interest	-	
241	Other Current & Accrued Liabilities	2,183	
	TOTAL CURRENT LIABILITIES		\$ 131,710
224	LONG-TERM DEBT(Over 12 months)		
	DEFERRED CREDITS		
252	Advances in Aid of Construction	\$ 1,523,659	
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	-	
272	Less: Amortization of Contributions	-	
281	Accumulated Deferred Income Taxes	-	
	TOTAL DEFERRED CREDITS		1,523,659
	TOTAL LIABILITIES		<u>1,655,369</u>
	EQUITY		
201	Common Stock Issues	\$ 2,432,447	
204	Preferred Stock Issues		
211	Other Paid in Capital	\$ -	
215	Retained Earnings	239,542	
218	Proprietary Capital (for sole props, and partnerships)		
	TOTAL EQUITY		2,671,989
	TOTAL LIABILITIES AND EQUITY		<u>\$ 4,327,358</u>

Unaudited Financial Statements

Palo Verde Utilities Company
Statement of Revenues and Expenses
For the Year Ended December 31, 2002

Acct.

No.

Revenues

521	Flat Rate Revenues	\$ 211,605
522	Measured Revenues	
536	Other Wastewater Revenues	38,770
	TOTAL OPERATING REVENUE	<u>\$ 250,375</u>

Operating Expenses

701	Salaries and Wages	105,550
710	Purchased Wasterwater Treatment	
711	Sludge Removal Expense	
715	Purchased Power	6,131
716	Fuel for Power Production	
718	Chemicals	
720	Materials and Supplies	5,473
	Office Supplies and Expense	9,035
731	Contractual Services - Professional	16,138
735	Contractual Services - Testing	
736	Contractual Services - Other	
740	Rents	23,008
750	Transportation Expenses	
755	Insurance Expense	5,901
765	Regulatory Commission Expense	
775	Miscellaneous Expense	1,185
403	Depreciation Expense	147,218
408	Taxes Other Than Income	
408.1	Property Taxes	
409	Income Tax	

Total Operating Expenses

319,639

Operating Income

(69,265)

Other Income (Expense)

419	Interest Income	
421	Non-Utility income	
426	Miscellaneous Non-Utility Expense	
427	Interest Expense	

Total Other Income (Expense)

Net Profit (Loss)

(69,265)

Unaudited Financial Statements

Santa Cruz Water Company, LLC
Statement of Revenues and Expenses
For the Year Ended December 31, 2002

Acct.

No.

OPERATING REVENUE

461	Res. & Comm. Revenue	\$	489,920	
460	Unmetered Revenue			
474	Other Operating Revenue		42,013	
	TOTAL OPERATING REVENUE			\$ 531,933

OPERATING EXPENSES

601	Salaries & Wages	\$	122,470	
610	Purchased Water		-	
615	Purchased Pumping Power		57,841	
618	Chemicals		1,645	
620	Materials & Supplies:repairs and maintenance		17,582	
621	Office Supplies and Expense		18,229	
630	Outside Services		26,919	
635	Water Testing			
640	Rents		22,820	
650	Transportation Expense		-	
650	Insurance Expense		5,901	
665	Regulatory Commission Expense - per last rate case		-	
675	Misc. Operating Expenses		1,912	
403	Depreciation Expense		55,369	
408	Taxes other Than income; property tax		-	
408.11	Property Taxes		80	
409	Income Tax			
	TOTAL OPERATING EXPENSE			\$ 330,768

OPERATING INCOME / (LOSS) \$ 201,165

OTHER INCOME/EXPENSE

419	Interest Income			
421	Other Income		463	
426	Other Expense			
427	Interest Expense			
	TOTAL OTHER INCOME (EXPENSE)			\$ 463

NET INCOME / (LOSS) \$ 201,628

Unaudited Financial Statements